

# Agency information technology budget detail

Required by law (RCW 43.88.092)



**Budget Division**  
Office of Financial Management  
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## Introduction

The law requires the Office of Financial Management (OFM) to submit this report for the governor's biennial budget proposals. This report must include an information technology plan and a technology budget for the state. The budget identifies current baseline funding for information technology, proposed and ongoing major information technology projects, and costs ([RCW 43.88.092](#)).

This report also details ongoing major information technology projects and includes an [IT Spend Dashboard informing the 23-25 Biennial Report](#). This dashboard shows IT expenditures by state agencies in fiscal years 2021 and 2022. It also includes a section for proposed IT projects from various agencies.

## Statewide IT spending

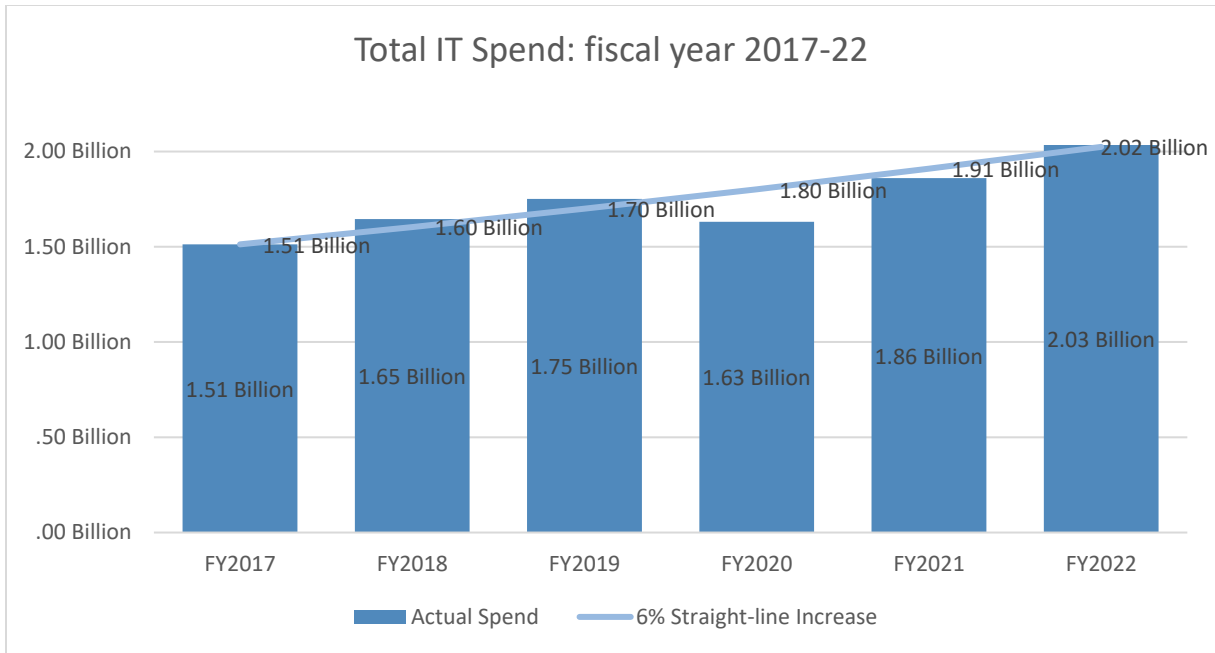
This report captures IT expenditure (spending) data to help the state know where it can improve IT investments.

Agencies spent \$1.86 billion in fiscal year 2021 and \$2.03 billion in fiscal year 2022 on IT spending. This was a \$229 million increase in 2021 and a \$174 million increase in 2022. Since fiscal year 2017, the state averages a 6% increase each year. If history indicates the future, IT spending will likely continue to increase 6-8%, on average, each fiscal year.

The major contributing factors of increased spending are:

- Agencies asking for funds (through decision packages (DPs)) to complete specific IT projects
- Cost-of-living increases (COLAs)
- Increased cloud subscription costs
- Increased costs of maintaining legacy systems

When a DP requests reach the threshold to become a major IT project if their time and funding needs are large enough. When a project gets to that level, the Office of the Chief Information Officer's (OCIO) starts to oversee it. (This office is located within WaTech). You can see what each agency spends by accessing the [IT Spend Dashboard informing the 23-25 Biennial Report](#) on OFM's website.



|                     | FY2017              | FY2018              | FY2019              | FY2020              | FY2021              | FY2022              |
|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>Actual Spend</b> | <b>1.51 Billion</b> | <b>1.65 Billion</b> | <b>1.75 Billion</b> | <b>1.63 Billion</b> | <b>1.86 Billion</b> | <b>2.03 Billion</b> |
| <b>% change</b>     | Baseline            | 8.1%                | 6.0%                | -7.3%               | 12.3%               | 8.5%                |
| <b>\$ change</b>    | Baseline            | 132.5 Million       | 105.7 Million       | -119.5 Million      | 229.1 Million       | 173.8 Million       |

## Trends on Total IT Spend

WaTech’s Technology Business Management program categorizes IT spending by the types of services that agencies purchase. These categories are known as ‘cost pools’.

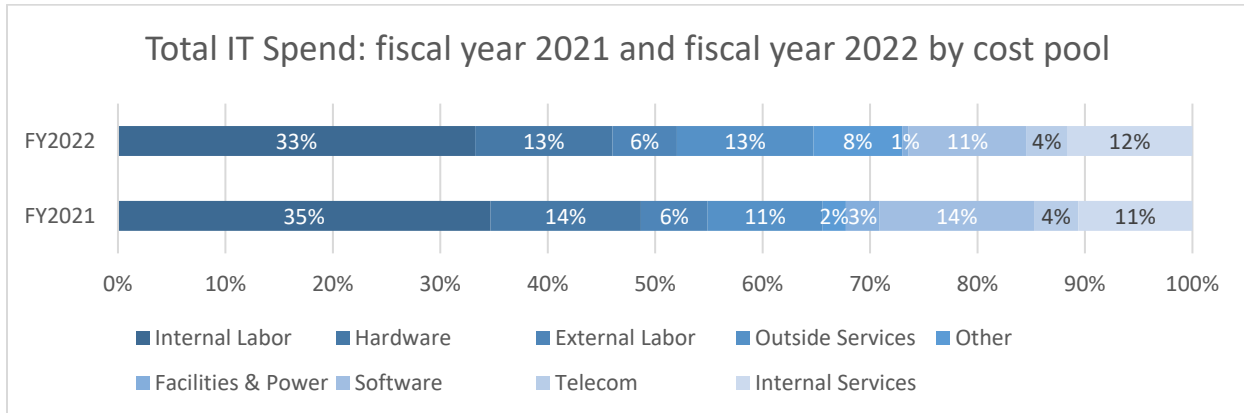
A breakdown of total IT spending by cost pool illustrates where the state invests in IT by category. Looking at cost pool spending as a percentage further illustrates how IT investments change year to year.

Total internal labor spending increased from fiscal year 2021 to fiscal year 2022. However, it represented a smaller percentage of total costs in fiscal year 2022. During the same time period, spending in ‘outside services’ and ‘external labor’ increased and represented a larger portion of total IT spend. We have found that agencies use more outside services and external labor to help them modernize their legacy application systems and business processes.

Other cost pool amounts increased from \$40 million (fiscal year 2021) to \$161 million (fiscal year 2022). \$50 million of this increased spending in fiscal year 2022 came from an electronic error; the Department of Commerce mistakenly identified a non-IT payment as an IT payment. Another \$95 million of the increase in fiscal year 2022 was by University of Washington hospital but we were unable to verify what this was for.

The final notable shifts in the cost pool spending category came from WaTech and Statewide Accounting refining the state’s chart of accounts (in fiscal year 2022). The breakdown shows what

agencies used/spent in the past and how we can use that information to better predict what agencies need going forward. Here’s what we found:



- Specific hardware items (such as fax machines, scanners, printers) changed from the ‘facilities and power’ category to the ‘hardware’ category.
- Specific software shifted from the ‘outside services’ category to ‘cloud-based providers’ category.

| Detailed total IT spend |                      |                   |                      |                   |
|-------------------------|----------------------|-------------------|----------------------|-------------------|
| Cost pool               | FY2021               | % of FY2021 Spend | FY2022               | % of FY2022 Spend |
| Internal labor          | 645,088,579          | 34.7%             | 676,254,073          | 33.24%            |
| Hardware                | 260,533,751          | 14.0%             | 259,942,998          | 12.78%            |
| External labor          | 115,539,607          | 6.2%              | 122,061,552          | 6.00%             |
| Outside services        | 199,011,689          | 10.7%             | 258,738,733          | 12.72%            |
| Other                   | 40,217,247           | 2.2%              | 167,612,771          | 8.24%             |
| Facilities and power    | 58,360,773           | 3.1%              | 12,260,841           | 0.60%             |
| Software                | 267,323,524          | 14.4%             | 223,412,570          | 10.98%            |
| Telecom                 | 76,893,805           | 4.1%              | 76,547,234           | 3.76%             |
| Internal services       | 197,494,726          | 10.6%             | 237,388,461          | 11.67%            |
| <b>Total</b>            | <b>1,860,463,703</b> | <b>100.0%</b>     | <b>2,034,219,233</b> | <b>100.00%</b>    |

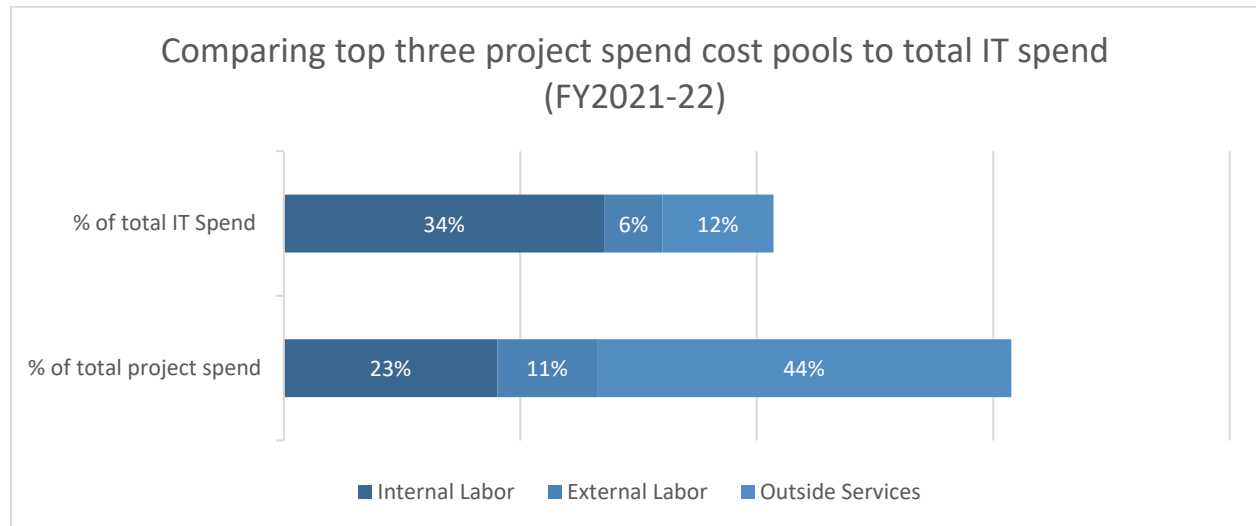
### Most increased spending tied to major IT projects

We found that OCIO is overseeing 131 IT projects from 47 agencies. The total planned spend over the lifetime of these projects totaled \$1.966 billion. Of these projects, 123 spanned multiple fiscal years and nine of these roll up to program-level reporting (these are projects going on at multiple agencies that are tied to one program, such as multiple One Washington IT projects). You can view these on the [Washington State IT Project Dashboard](#).

As of November 2022, 57 of these projects were completed, 68 remain active, two are on hold, and four were cancelled. You can find further information about each project on the [Washington State IT Project Dashboard](#).

A breakdown of major IT projects shows a significantly different composition than the state’s total IT spending. Outside services and external labor represent 52% (fiscal year 2021-22) of major IT projects under oversight spend. Comparatively, these cost pools only represent 17% (fiscal year

2021-22) of total IT spend. As we said above, we found that agencies use outside services and external labor to help them modernize these legacy application systems and business processes.



| Detail comparing major IT projects under oversight spend versus total IT spend |                             |  |                              |                                   |
|--|-----------------------------|--|------------------------------|-----------------------------------|
| Cost Pool  | Project spend (FY2021-2022) | % of total project spend (FY2021-2022) | Total IT spend (FY2021-2022) | % of total IT spend (FY2021-2022) |
| Internal labor   | 55,551,021                  | 23%                                    | 1,321,342,652                | 34%                               |
| Hardware   | 21,186,338                  | 9%                                     | 520,476,749                  | 13%                               |
| External labor   | 25,890,433                  | 11%                                    | 237,601,159                  | 6%                                |
| Outside services   | 107,730,393                 | 44%                                    | 457,750,423                  | 12%                               |
| Other  | 9,385,691                   | 4%                                     | 207,830,018                  | 5%                                |
| Facilities and power   | 2,910,321                   | 1%                                     | 70,621,614                   | 2%                                |
| Software   | 19,747,458                  | 8%                                     | 490,736,094                  | 13%                               |
| Telecom  | 1,017,620                   | 0%                                     | 153,441,039                  | 4%                                |
| Internal services  | 2,521,452                   | 1%                                     | 434,883,187                  | 11%                               |
| <b>Total</b>   | <b>245,940,727</b>          | <b>100%</b>                            | <b>3,894,682,936</b>         | <b>100%</b>                       |

Note 1 - Project Spend excludes the University of Washington projects due to missing cost pool information.

You can view more detailed spending by agency and project on the [Washington State IT Project Dashboard](#).

### Top themes that agencies want funded

WaTech identified several themes/categories while reviewing IT DPs. Multiple agencies proposed the following investments (listed in their DPs):

- Modernize legacy systems technology
- Utilize / Manage data to drive a data driven culture
- Implement an Electronic Health Records (EHR) system
- Continue to move forward with large projects/programs

For more information, see [WaTech’s IT Decision Package Funding Recommendation report](#).

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